

**Whitehall Township,
Muskegon County, Michigan**

61-1150

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT**

March 31, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

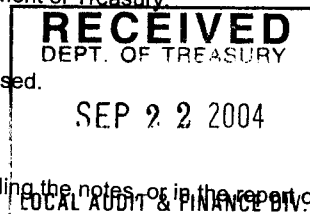
Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name WHITEHALL TOWNSHIP	County MUSKEGON
Audit Date 3/31/04	Opinion Date 7/23/04	Date Accountant Report Submitted to State: 9/14/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations



You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) HOFFMAN, STEENSMA & PLAMONDON, P.L.C.			
Street Address 221 W WEBSTER AVE SUITE 502		City MUSKEGON	State MI
Accountant Signature <i>Douglas A. Plamondon, CPA</i>		ZIP 49440	Date 9-21-04

Whitehall Township, Muskegon County, Michigan

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	3
GENERAL PURPOSE FINANCIAL STATEMENTS	
Combined Balance Sheet - All Fund Types and Account Group	4
Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund	5
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	6
Statement of Revenues, Expenses and Changes in Retained Earnings - Sewer Fund	7
Statement of Fund Equity - Sewer Fund	8
Statement of Cash Flows - Sewer Fund	9
Notes to General Purpose Financial Statements	10 - 21
SUPPLEMENTAL FINANCIAL INFORMATION	
General Fund	
Description of General Fund	23
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	24 - 25
Enterprise Fund	
Description of Enterprise Fund	26
Balance Sheet - Sewer Fund	27
Agency Fund	
Description of Agency Fund	28
Statement of Changes in Assets and Liabilities - Collector Fund	29
Schedule of Indebtedness	31

INDEPENDENT AUDITORS' REPORT

To the Honorable Members of the Township Board of
Whitehall Township, Muskegon County, Michigan

We have audited the accompanying general purpose financial statements of Whitehall Township, Muskegon County, Michigan, as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the management of Whitehall Township, Muskegon County, Michigan. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Whitehall Township, Muskegon County, Michigan, as of March 31, 2004, and the results of its operations and cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying individual fund statements and other financial information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the general purpose financial statements of Whitehall Township, Muskegon County, Michigan. The information in these schedules has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Hoffman, Steensma & Plamondon, P.L.C.

July 23, 2004

Whitehall Township, Muskegon County, Michigan

Combined Balance Sheet

All Fund Types and Account Group

March 31, 2004

	Governmental Fund Type	Proprietary Fund Type
ASSETS	General	Sewer
Cash and cash equivalents (note A5 and B)	\$ 488,420	\$ 138,643
Investments (note A5 and B)	180,545	-
Receivables		
Accounts	-	14,265
Special assessments	-	364,166
Due from other governmental units	15,242	-
Restricted cash and cash equivalents (note A5 and B)	-	330,245
Wastewater facility rights (net of accumulated amortization of \$4,028) (note D)	-	10,140
Fixed assets (net, where applicable, of accumulated depreciation) (note A7 and C)	-	675,283
TOTAL ASSETS	\$ 684,207	\$ 1,532,742
<u>LIABILITIES, EQUITY AND OTHER CREDITS</u>		
<u>Liabilities</u>		
Accounts payable	\$ 6,250	\$ -
Accrued liabilities	2,341	-
Long-term debt (note A8 and E)	-	5,782
Total liabilities	8,591	5,782
<u>Equity and other credits</u>		
Investment in general fixed assets	-	-
Contributed capital (note A10)	-	284,150
Retained earnings (note A11)		
Reserved for debt services	-	330,245
Unreserved	-	912,565
Fund balance (note A11)		
Designated (note H)	200,000	
Undesignated	475,616	-
Total equity and other credits	675,616	1,526,960
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	\$ 684,207	\$ 1,532,742

The notes to the financial statements are an integral part of this statement.

Fiduciary Fund Type		Account Group		Totals (Memorandum Only)
Agency		General Fixed Assets		
\$	11	\$	-	\$ 627,074
	-		-	180,545
	-		-	14,265
	-		-	364,166
	-		-	15,242
	-		-	330,245
	-		-	10,140
	-	275,022		950,305
\$	11	\$	275,022	\$ 2,491,982
\$	11	\$	-	\$ 6,261
	-		-	2,341
	-		-	5,782
	11		-	14,384
	-	275,022		275,022
	-		-	284,150
	-		-	330,245
	-		-	912,565
	-		-	200,000
	-		-	475,616
	-	275,022		2,477,598
\$	11	\$	275,022	\$ 2,491,982

Whitehall Township, Muskegon County, Michigan
Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund
Year Ended March 31, 2004

Revenues		
Property taxes	\$	73,661
Licenses and permits		5,395
State shared revenues		115,191
Charges for services		11,821
Interest		10,798
Other		12,353
Total revenues		229,219
Expenditures		
Current		
Legislative		58,217
General government		80,675
Public safety		47,788
Public works		26,767
Recreational and cultural		2,537
Other governmental functions		25,440
Capital outlay		88,965
Total expenditures		330,389
Deficiency of revenues under expenditures		(101,170)
Other financing sources		
Sale of fixed assets		69,900
Deficiency of revenues and other sources under expenditures		(31,270)
Fund balance at beginning of year, as restated (note J)		706,886
Fund balance at end of year	\$	675,616

The notes to the financial statements are an integral part of this statement.

Whitehall Township, Muskegon County, Michigan
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended March 31, 2004

	Amended Budget	Actual	Variance favorable (unfavorable)
Revenues			
Property taxes	\$ 74,540	\$ 73,661	\$ (879)
Licenses and permits	1,000	5,395	4,395
State shared revenues	113,500	115,191	1,691
Charges for services	11,200	11,821	621
Interest	20,000	10,798	(9,202)
Other	3,200	12,353	9,153
Total revenues	223,440	229,219	5,779
Expenditures			
Current			
Legislative	61,018	58,217	2,801
General government	99,466	80,675	18,791
Public safety	54,772	47,788	6,984
Public works	43,000	26,767	16,233
Recreation and cultural	6,280	2,537	3,743
Other governmental functions	25,440	25,440	-
Capital outlay	161,600	88,965	72,635
Total expenditures	451,576	330,389	121,187
Deficiency of revenues under expenditures	(228,136)	(101,170)	126,966
Other financing sources			
Sale of fixed assets	50,000	69,900	19,900
Deficiency of revenues and other sources under expenditures	(178,136)	(31,270)	146,866
Fund balance at beginning of year, as restated (note J)	706,886	706,886	-
Fund balance at end of year	\$ 528,750	\$ 675,616	\$ 146,866

The notes to the financial statements are an integral part of this statement.

Whitehall Township, Muskegon County, Michigan
Statement of Revenues, Expenses and Changes in Retained Earnings
Sewer Fund
Year Ended March 31, 2004

Operating revenues	
Charges for services	\$ 56,228
Other	2,278
Total operating revenues	58,506
Operating expenses	
Contractual services	19,153
Salary reimbursements	3,343
Repairs and maintenance	5,448
Utilities	530
Professional fees	3,061
Other	568
Depreciation and amortization	15,690
Total operating expenses	47,793
Operating income	10,713
Nonoperating revenues (expenses)	
Interest income	25,206
Interest expense	(332)
Total nonoperating revenues	24,874
Net income	35,587
Depreciation transferred to contributed capital	8,119
Net income transferred to retained earnings	43,706
Retained earnings at beginning of year	1,199,104
Retained earnings at end of year	\$ 1,242,810

The notes to the financial statements are an integral part of this statement.

Whitehall Township, Muskegon County, Michigan

Statement of Fund Equity

Sewer Fund

Year Ended March 31, 2004

<u>Contributed capital</u>	
Balance at beginning of year	\$ 292,269
Depreciation transfers	(8,119)
Balance at end of year	284,150
<u>Retained earnings</u>	
Balance at beginning of year	1,199,104
Net income	35,587
Depreciation transfers	8,119
Balance at end of year	1,242,810
<u>Total fund equity</u>	\$ 1,526,960

The notes to the financial statements are an integral part of this statement.

Whitehall Township, Muskegon County, Michigan

Statement of Cash Flows

Sewer Fund

Year Ended March 31, 2004

Cash flows from operating activities	
Operating income	\$ 10,713
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization	15,690
Decrease in	
Receivables	
Accounts	24,588
Special assessments	71,878
Decrease in	
Accounts payable	(2,278)
Net cash provided by operating activities	120,591
Cash flows from capital and related financing activities	
Principal payments on long-term debt	(1,103)
Interest payment on long-term debt	(332)
Net cash used for capital and related financing activities	(1,435)
Cash flows from investing activities	
Interest income	25,206
NET INCREASE IN CASH AND CASH EQUIVALENTS	
	144,362
Cash and cash equivalents at beginning of year	324,526
Cash and cash equivalents at end of year	\$ 468,888
Reconciliation of cash and cash equivalents to the balance sheet	
Cash and cash equivalents	\$ 138,643
Restricted cash and cash equivalents	330,245
	\$ 468,888

The notes to the financial statements are an integral part of this statement.

Whitehall Township, Muskegon County, Michigan

Notes to General Purpose Financial Statements

March 31, 2004

Note A - Summary of Significant Accounting Policies

1. Financial Reporting Entity

Whitehall Township, Muskegon County, Michigan operates under an elected board composed of a supervisor, clerk, treasurer and two trustees. The township provides the following services: recreational and culture, public works, public improvements, planning and zoning and general administrative services. The accounting policies of Whitehall Township conform to generally accepted accounting principles as applicable to townships.

As required by generally accepted accounting principles, Government Accounting Standards Board (GASB) Statement 14, the financial statements present the township (the primary government) and its component units, entities for which the township is considered to be financially accountable. Based upon the application of these criteria, there were no component units required to be included in the financial reporting entity of the township.

Joint Ventures

•White Lake Ambulance Authority

The township is a member of White Lake Ambulance Authority, which was organized to provide emergency medical services to its member units. It is a joint venture of seven governmental units governed by a board composed of one representative of each of the respective member units. It is financed through charges to persons who use the services at rates determined by the authority with any operating deficit at year end being made up by the member units in proportion to their population determined by the last census. The township does not report an equity interest in this joint venture in these financial statements because the township does not have an explicit and measurable right to the joint venture's resources. The township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Financial information based on the June 30, 2003, audit report of White Lake Ambulance Authority follows:

Assets	
Current	\$ 449,613
Long-term	274,659
Total assets	\$ 724,272
Liabilities	
Current	\$ 66,629
Total fund equity	\$ 657,643
Operating revenues	\$ 656,727
Operating expenses	(839,573)
Nonoperating revenues	133,045
Net loss	\$ (49,801)

Whitehall Township, Muskegon County, Michigan

Notes to General Purpose Financial Statements - Continued

March 31, 2004

Note A - Summary of Significant Accounting Policies (continued)

1. Financial Reporting Entity (continued)

Joint Ventures (continued)

Complete financial statements for White Lake Ambulance Authority can be obtained from offices at the City of Whitehall, 405 East Colby Street, Whitehall, Michigan 49461.

•White Lake Fire Authority

The township is a member of the White Lake Fire Authority, which was organized to provide fire protection and rescue services for its member units. It is a joint venture of three governmental units governed by an authority board composed of representatives from each of the respective member units. The joint venture is financed through a special millage based upon taxable value of property. The township does not report an equity interest in this joint venture in these financial statements because the township does not have an explicit and measurable right to the joint ventures' resources. The township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Financial information based on the December 31, 2003, audit report of the White Lake Fire Authority follows:

Total assets	\$	1,419,404
Total liabilities		19,487
<u>Fund balance</u>	<u>\$</u>	<u>1,399,917</u>
Revenues	\$	446,691
Expenditures		(489,799)
<u>Revenues under expenditures</u>	<u>\$</u>	<u>(43,108)</u>

Complete financial statements for the White Lake Fire Authority may be obtained from offices at the City of Whitehall, 405 East Colby Street, Whitehall, Michigan 49461.

2. Fund Accounting

The accounts of the township are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Whitehall Township, Muskegon County, Michigan

Notes to General Purpose Financial Statements - Continued

March 31, 2004

Note A - Summary of Significant Accounting Policies (continued)

2. Fund Accounting (continued)

The various funds are grouped, in the financial statements in this report, into two generic fund types and two broad fund categories as follows:

Governmental Fund

General Fund

The general fund is the general operating fund of the township. The fund is used to account for all financial transactions except those required to be accounted for in another fund. Revenues are derived primarily from property taxes and state shared revenues.

Proprietary Fund

Enterprise Fund

The enterprise funds report operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

Fiduciary Fund

Agency Fund

The agency fund is used to account for assets held by the township in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Account Group

General Fixed Assets Account Group

The general fixed assets account group is used to account for the township's fixed assets which are not accounted for in the enterprise fund.

3. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focuses. All governmental funds are accounted for using the flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included in the balance sheet. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Whitehall Township, Muskegon County, Michigan

Notes to General Purpose Financial Statements - Continued

March 31, 2004

Note A - Summary of Significant Accounting Policies (continued)

3. Basis of Accounting (continued)

All proprietary funds are accounted for on the flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included in the balance sheet. Fund equity (i.e., net assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in net total assets. As permitted by GASB 20, the township has elected not to adopt Financial Accounting Standards Board (FASB) Statements issued after November 30, 1989, unless the GASB specifically adopts such FASB Statements.

The modified accrual basis of accounting is used by all governmental fund types and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available).

"Measurable" means the amount of the transaction can be determined and "available" means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. The township considers property taxes, special assessments, licenses, interest revenue and charges for sales and services as susceptible to accrual if the amount was due on or before fiscal year end and collection was within two months after year end. All other revenue is recognized as payments are received. Expenditures are recorded when the related fund liability is incurred.

4. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are legally adopted for the general fund. The township follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to the first week in March, the township board reviews a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted at the township hall to obtain taxpayer comments.
- No later than the first Tuesday in March, the budget is legally adopted.
- Budgeted amounts are presented as originally adopted, or as amended by the township board before March 31, 2004. Individual amendments were not material in relation to the original appropriations which were amended.
- Formal budgetary integration is employed as a management control device during the year for the general fund.
- The budget for the general fund is adopted on a basis consistent with generally accepted accounting principles on the department level.
- All budget appropriations lapse at the end of the year.

Whitehall Township, Muskegon County, Michigan

Notes to General Purpose Financial Statements - Continued

March 31, 2004

Note A - Summary of Significant Accounting Policies (continued)

5. Deposits and Investments

Statutes authorize the township to deposit and invest in the following:

- In bonds, securities and other obligations of the United States or agency or instrumentality of the United States.
- In certificates of deposit, saving accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation, a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration.
- In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
- In United States government or federal agency obligation repurchase agreements.
- In banker's acceptance of United States banks.
- In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Investments with a maturity of greater than one year at the date of purchase are stated at fair value, and all other investments are stated at cost or amortized cost.

6. Property Taxes

Property taxes attach as enforceable liens on property as of December 1. Taxes are levied on December 1 of the following year and are payable from the date of levy through February 28. Taxes levied December 1 are recognized as revenue when they become available for appropriation, which is the fiscal year during which they are levied. The township bills and collects its own property taxes and also taxes for the county and school districts. Collections of all taxes and remittance of them to the other taxing authorities are accounted for in the current tax collection fund.

The 2003 adjusted taxable value of the township totaled \$48,148,486, on which ad valorem taxes levied consisted of 1.1244 mills for the general operations of the township.

The 2003 state equalized valuation of the township was \$58,500,100.

Whitehall Township, Muskegon County, Michigan

Notes to General Purpose Financial Statements - Continued

March 31, 2004

Note A - Summary of Significant Accounting Policies (continued)

7. Fixed Assets

General fixed assets are not capitalized in the fund used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds and the related assets are recorded in the general fixed assets account group. For financial reporting purposes, depreciation is not recorded on general fixed assets. Fixed assets of the proprietary funds are capitalized in the fund in which they are utilized and are depreciated on the straight line basis. Estimated useful lives for fixed assets reported in proprietary funds are as follows:

	<u>Years</u>
Sewage systems	50

Fixed assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated assets are valued at their estimated fair value on the date donated. The township does not capitalize interest costs incurred during construction of governmental fund assets. Public domain "infrastructure" general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized along with other general fixed assets.

8. Long-Term Obligations

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate fund.

For proprietary fund types, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges.

9. Encumbrances

Encumbrance accounting, under which purchase orders, contract and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not a legal requirement of the township and thus is not employed.

10. Contributed Capital

The township follows the policy of reducing contributed capital in the enterprise funds for an amount equal to the yearly depreciation on assets acquired or constructed with such contributions. This policy is based on the premise that future replacement of these facilities will be funded by the users who benefit from the facilities and not current users through the current rate structure.

Whitehall Township, Muskegon County, Michigan

Notes to General Purpose Financial Statements - Continued

March 31, 2004

Note A - Summary of Significant Accounting Policies (continued)

11. Fund Equity

Reservations of fund balance and retained earnings represent amounts that are not appropriable or are legally segregated for a specific purpose. Reserves exist for debt service as these assets are restricted for redemption of long-term debt.

12. Total Columns on Combined Statements

Total columns on the combined statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles, nor are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of these data.

Note B - Cash, Cash Equivalents and Investments

Deposits

At year-end, the carrying amount of the township's deposits was \$189,086 and the bank balance was \$198,335. Of the bank balance, \$100,000 was covered by federal depository insurance and \$98,335 was uninsured and uncollateralized.

The township's deposits are categorized below according to level of credit risk:

- Category 1 represents insured or collateralized deposits with securities held by the township or by its agent in the township's name.
- Category 2 represents collateralized deposits with securities held by the pledging financial institution's trust department or agent in the township's name.
- Category 3 represents uncollateralized deposits including any bank balances that are collateralized with securities held by the pledging financial institutions, or by its trust department or agent but not in the township's name.

	Category			Bank	Carrying
	1	2	3	Balance	Amount
Demand deposits	\$ 16,026	\$ -	\$ -	\$ 16,026	\$ 8,541
Time deposits	83,974	-	98,335	182,309	180,545
	\$ 100,000	\$ -	\$ 98,335	\$ 198,335	\$ 189,086

Whitehall Township, Muskegon County, Michigan

Notes to General Purpose Financial Statements - Continued

March 31, 2004

Note B - Cash, Cash Equivalents and Investments (continued)

Investments

Investments are categorized below to give an indication of the level of risk assumed by the entity at year end:

- Category 1 includes investments that are insured or registered, or for which the securities are held by the township or by its agent in the township's name.
- Category 2 includes uninsured and unregistered investments, with securities held by the counterparty's department or agent in the township's name.
- Category 3 includes uninsured and unregistered investments, with securities held by the counterparty, or by its trust department or agent but not in the township's name.

	Carrying Amount
Investments not subject to categorization:	
Money market accounts	\$ 948,778

Total deposits and investments at March 31, 2004, were \$1,137,864 and are presented in the balance sheet as follows:

Cash and cash equivalents	\$ 627,074
Investments	180,545
Restricted cash and cash equivalents	330,245
	<u>\$ 1,137,864</u>

The restricted cash and cash equivalents of \$330,245 represents monies held by the township's sewer fund which are restricted for the purposes of redemption of the fund's long-term debt obligations and improvements to the sewer system.

Note C - Fixed Assets

A summary of changes in general fixed assets for the year follows:

	Balance April 1, 2003	Additions	Deletions	Balance March 31, 2004
Buildings	\$ 79,866	\$ -	\$ -	\$ 79,866
Machinery and equipment	25,064	58,630	-	83,694
Land and improvements	108,372	22,720	(19,630)	111,462
	<u>\$ 213,302</u>	<u>\$ 81,350</u>	<u>\$ (19,630)</u>	<u>\$ 275,022</u>

Whitehall Township, Muskegon County, Michigan

Notes to General Purpose Financial Statements - Continued

March 31, 2004

Note C - Fixed Assets (continued)

A summary of fixed assets in the proprietary funds at March 31, 2004, follows:

	Sewer Fund
Utility systems	\$ 770,352
Less accumulated depreciation	172,808
	597,544
Land	77,739
	\$ 675,283

Note D - Wastewater Facility Rights

The township is a participant in the Muskegon County Wastewater Management System, a wastewater treatment facility owned and operated by the county. Members are charged usage fees based on the volume of wastewater treated. In addition, each member municipality has pledged its full faith and credit in repayment of their allocated shares of long-term debt of the system.

The township accounts for the group of transactions substantially in accordance with APB 17, Intangible Assets. The contract payable to Muskegon County is presented as long-term debt. The township's investment in the intangible asset is presented as wastewater facility rights.

The investment in wastewater facility rights is amortized over the life of the debt issues.

Note E - Long-Term Debt

Long-term debt at March 31, 2004, consisted of the following:

Enterprise Fund

\$7,698 - Muskegon County Wastewater Management System -
Number One; \$13,750,000 Refunding Bond Issue of 1996; due in
annual installments of \$925 to \$943 through July 2005; interest \$ 1,868
5.10% to 5.70%.

\$4,054 - Muskegon County Wastewater Management System -
Number One; Refunding Bond Issue of 2002; due in annual installments
of \$118 to \$1,193 through July 2008; interest at 2.00% to 5.00%. 3,914
Total Long-Term Debt \$ 5,782

Whitehall Township, Muskegon County, Michigan

Notes to General Purpose Financial Statements - Continued

March 31, 2004

Note E - Long-Term Debt (continued)

The annual requirements to amortize all debt outstanding as of March 31, 2004, including interest of \$777 follows:

Years ending March 31,		
2005	\$	1,343
2006		1,268
2007		1,340
2008		1,270
2009		1,338
	\$	6,559

The following is a summary of long-term debt transactions for the year ended March 31, 2004:

Balance at beginning of year	\$	6,885
Repayments		(1,103)
Balance at end of year	\$	5,782

Note F - Segment Information for Enterprise Funds

The township maintains an enterprise fund which provides sewer services. Segment information for the year ended March 31, 2004, is as follows:

	Sewer Fund
Operating revenues	\$ 58,506
Depreciation and amortization	15,690
Operating income	10,713
Net income	35,587
Net working capital	223,808
Total assets	1,532,742
Bonds and other long-term debt payable from operating revenue	5,782
Fund equity	
Contributed capital	284,150
Retained earnings	1,242,810
Total fund equity	\$ 1,526,960

Whitehall Township, Muskegon County, Michigan

Notes to General Purpose Financial Statements - Continued

March 31, 2004

Note G - Contingent Liabilities

The township is party to various legal proceedings and claims which normally occur in governmental operations. Although the outcome of these legal proceedings and claims is not presently determinable, it is the opinion of the township's management that the resolution of these matters will not have a material adverse effect on the financial condition of the township.

Note H - Designated Fund Balance

Unreserved fund balances designated for specific purposes at March 31, 2004, were as follows:

General Fund	
Designated for building improvements and equipment	\$ 200,000

Note I - Risk Management

The township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The township manages its risk of loss by purchasing commercial insurance for workers' compensation, liability and property insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note J - Prior Period Adjustment

The township restated as of March 31, 2003, the fund balance of the general fund for an understatement of state shared revenue in the prior year. The fund balance of the general fund as of March 31, 2003 increased by \$16,907 and due from other governmental units increased by \$16,907.

Note K - State Construction Code Act

P.A. 245 of 1999, section 22(1) of the State Construction Code Act, requires fees generated by enforcing agencies or construction board of appeals be intended to bear a reasonable relationship to the actual cost of performing those services.

The township neither collects fees nor incurs costs for activities that fall under P.A. 245 of 1999 section 22(1) of the State Construction Code Act.

Whitehall Township, Muskegon County, Michigan

Notes to General Purpose Financial Statements - Continued

March 31, 2004

Note L - Change in Accounting Principle

Effective April 1, 2004, the township adopted GASB 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*, as amended by GASB 37, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments Omnibus*. GASB 34 significantly changes the format of the township's financial statements. Among the changes required by GASB 34, the financial statements will for the first time include:

- A management discussion and analysis (MD&A) section providing analysis of the township's overall financial position and results of operations.
- Government-wide financial statements prepared using full accrual accounting for all of the township's activities.
- Depreciation on all fixed assets.

Also effective April 1, 2004, the township adopted GASB 38, *Certain Financial Statement Note Disclosures*. GASB 38 modifies note disclosures required by GAAP.

SUPPLEMENTAL FINANCIAL INFORMATION

GENERAL FUND

The general fund is used to account for all revenues and expenditures applicable to the general operations of village government except those required to be accounted for in another fund. General fund revenues are derived primarily from property taxes and state shared revenues.

Whitehall Township, Muskegon County, Michigan

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance -

Budget and Actual

Year Ended March 31, 2004

	Amended Budget	Actual	Variance favorable (unfavorable)
Revenues			
Property taxes	\$ 74,540	\$ 73,661	\$ (879)
Licenses and permits	1,000	5,395	4,395
State shared revenues	113,500	115,191	1,691
Charges for services	11,200	11,821	621
Interest	20,000	10,798	(9,202)
Other	3,200	12,353	9,153
Total revenues	223,440	229,219	5,779
Expenditures			
Current			
Legislative	61,018	58,217	2,801
General government			
Supervisor	12,146	12,060	86
Elections	3,548	564	2,984
Assessor	12,719	12,463	256
Clerk	16,831	15,873	958
Board of review	2,600	1,895	705
Treasurer	23,314	22,706	608
Township hall	28,308	15,114	13,194
Total general government	99,466	80,675	18,791
Public safety			
Planning and zoning	33,329	27,248	6,081
Ambulance	13,272	12,300	972
Police protection	8,171	8,240	(69)
Total public safety	54,772	47,788	6,984
Public works			
Highways and streets	9,972	1,179	8,793
Street lighting	8,975	8,840	135
Transfer station	10,499	4,739	5,760
Department of public works	10,562	10,329	233
Blue ribbon committee	2,992	1,680	1,312
Total public works	43,000	26,767	16,233

Whitehall Township, Muskegon County, Michigan

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance -

Budget and Actual - Continued

Year Ended March 31, 2004

	Amended Budget	Actual	Variance favorable (unfavorable)
Expenditures (continued)			
Current (continued)			
Recreation and culture	\$ 6,280	\$ 2,537	\$ 3,743
Other governmental functions			
Employee benefits	13,632	13,632	-
Insurance	6,258	6,258	-
Other	5,550	5,550	-
Total other governmental functions	25,440	25,440	-
Capital outlay			
Township hall	11,600	16,152	(4,552)
Recreational and cultural	150,000	72,813	77,187
Total capital outlay	161,600	88,965	72,635
Total expenditures	451,576	330,389	121,187
Deficiency of revenues under expenditures	(228,136)	(101,170)	126,966
Other financing sources			
Sale of fixed assets	50,000	69,900	19,900
Deficiency of revenues and other sources under expenditures	(178,136)	(31,270)	146,866
Fund balance at beginning of year, as restated	706,886	706,886	-
Fund balance at end of year	\$ 528,750	\$ 675,616	\$ 146,866

ENTERPRISE FUND

An enterprise fund is established to account for operations that are financed and operated in a manner similar to private business enterprises-where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Sewage Disposal System - To account for user charges and for operating expenses and debt service of the township's sewer system.

Whitehall Township, Muskegon County, Michigan

Sewer Fund

Balance Sheet

March 31, 2004

ASSETS	
Current assets	
Cash and cash equivalents	\$ 138,643
Receivables	
Accounts	14,265
Special assessments	72,000
Total current assets	224,908
Fixed assets	
Land	
Utility systems	77,739
	770,352
Less accumulated depreciation	848,091
Total fixed assets	172,808
	675,283
Other assets	
Special assessments receivable	
Restricted cash and cash equivalents	292,166
Wastewater facility rights (net of accumulated amortization of \$4,028)	330,245
Total other assets	10,140
	632,551
TOTAL ASSETS	\$ 1,532,742
LIABILITIES AND FUND EQUITY	
Current liabilities	
Current maturities of long-term debt	\$ 1,100
Noncurrent liabilities	
Long-term debt, less current maturities	4,682
Total liabilities	5,782
Fund equity	
Contributed capital	
Retained earnings	284,150
Reserved for debt services	
Unreserved	330,245
Total fund equity	912,565
	1,526,960
TOTAL LIABILITIES AND FUND EQUITY	\$ 1,532,742

AGENCY FUND

Agency funds are used to account for assets held by the city in a trustee capacity for individuals, private organizations, other governments or other funds.

Collector Fund - To account for levy, collection and payment of taxes levied for the general and other funds of the city, county and public school district.

Whitehall Township, Muskegon County, Michigan

Collector Fund

Statement of Changes in Assets and Liabilities

Year Ended March 31, 2004

	Balance April 1, 2003	Additions	Deductions	Balance March 31, 2004
<u>COLLECTOR FUND</u>				
<u>ASSETS</u>				
Cash and cash equivalents	\$ 1,576	\$ 537,769	\$ 539,334	11
<u>LIABILITIES</u>				
Due to other funds	\$ 482	\$ 85,604	\$ 86,086	-
Due to other governmental units	1,094	1,486,884	1,487,978	-
Other liabilities	-	5,320	5,309	11
TOTAL LIABILITIES	\$ 1,576	\$ 1,577,808	\$ 1,579,373	11

SCHEDULE OF INDEBTEDNESS

Whitehall Township, Muskegon County, Michigan

Schedule of Indebtedness

March 31, 2004 and 2003

	Date of Issue	Amount of Issue
Enterprise Funds		
Muskegon County Wastewater Management System - Number One, \$13,750,000 Refunding Bond Issue of 1996	1996	\$ 7,698
Muskegon County Wastewater Management System - Number One, Refunding Bond Issue of 2002	2002	4,054

Total Long-Term Debt

Interest Rate	Date of Maturity	Balance Outstanding March 31,		Annual Interest Payable
		2003	2004	
5.00%	2003	\$ 963	\$ -	\$ -
5.10	2004	943	943	101
5.70	2005	925	925	53
		<u>2,831</u>	<u>1,868</u>	<u>154</u>
1.80	2003	140	-	-
2.00	2004	118	118	181
2.25	2005	112	112	178
5.00	2006	1,193	1,193	147
5.00	2007	1,182	1,182	88
5.00	2008	1,309	1,309	29
		<u>4,054</u>	<u>3,914</u>	<u>623</u>
		<u>\$ 6,885</u>	<u>\$ 5,782</u>	<u>\$ 777</u>

**Whitehall Township,
Muskegon County, Michigan**

**REPORT ON INTERNAL CONTROL
AND
MANAGEMENT ADVISORY COMMENTS**

March 31, 2004

Whitehall Township, Muskegon County, Michigan
CONTENTS

SCOPE OF REVIEW

Page

3

REPORTABLE CONDITIONS

5

To the Honorable Members of the Township Board of
Whitehall Township, Muskegon County, Michigan

In planning and performing our audit of the financial statements of the Whitehall Township, Muskegon County, Michigan, as of and for the year ended March 31, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the ability of the organization to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described on page 5 are believed to be a material weakness.

This report is intended solely for the information and use of the township board, management and others within the organization.

Hoffman, Steensma & Plamondon, P.L.C.

July 23, 2004

REPORTABLE CONDITIONS

Whitehall Township, Muskegon County, Michigan

Reportable Conditions

March 31, 2004

REPORTABLE CONDITIONS

Cash Account Reconciliation

During our examination, we noted that certain cash accounts were not reconciled to their underlying balances at year end. We recommend that all general ledger cash accounts be reconciled to their bank statement balance on a monthly basis.

Paid Invoices

During our examination, we noted that certain paid invoices lacked evidence of management approval prior to payment. In addition, paid invoices were not stamped paid or defaced in such a way as to denote payment. We recommend that all invoices be signed or initialed by an appropriate member of management or the township board prior to payment. We also recommend that all invoices be stamped paid or defaced as to denote payment.

Credit Card Charges

During our examination, we noted that credit card charges were being paid from monthly statements instead of individual invoices. We recommend that all credit card charges be paid from individual invoices.

Employee Reimbursements

During our examination, we noted that employee reimbursements were not signed or initialed for approval. We recommend that all employee reimbursements be signed or initialed for approval by an appropriate member of management or the township board other than the person receiving the reimbursement.

Sewer Fund Accounts

During our examination, we noted that the sewer fund activity is accounted for using a manual cash basis system. We recommend that the sewer fund accounts be set up in the township's accounting software so that assets, liabilities and fund equity, as well as activity can be accounted for more accurately and efficiently.

Use of Township Owned Equipment

During our examination, we noted that the township's policies and procedures, permit personal use of township equipment with certain approvals. The borrowing policy is in conflict with the Michigan Constitution. We recommend that the borrowing policy be eliminated and the township prohibit all personal use of township owned equipment.